

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 99-231
STATE AGENCY: State Department of Personnel

DATE PREPARED: Feb 16, 2000
DATE RECEIVED: Jan 3, 2000

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Digest of Proposed Rule: This proposed rule provides that a portion of a retiree's accrued but unused vacation, sick, and personal leave time will be deposited to a cafeteria plan.

Governmental Entities: State: This rule places no unfunded mandates upon state government. This rule does not create a new fiscal impact but implements the provisions in HEA1093 -1999 which authorizes the conversion of unused vacation, sick, and personal leave time into a cafeteria plan on behalf of eligible retired employees. The expenditures of these funds are the result of HEA 1093-1999.

Background Information: The fiscal impact analysis of HEA 1093-1999 is provided below. HEA 1093 -1999 requires that state employees who retire with 10 to 15 years of creditable service are to be paid for 20% of the employee's accrued, but unused, sick, vacation, and personal days. The payment rate for employees with 15 to 20 years of creditable service is 35% and the payment rate for employees with more than 20 years of creditable service is 50% of accrued, but unused, sick, vacation, and personal days. The estimated cost is approximately \$1,200,000 per year.

The distribution by category for state employees who retired in FY 98 and the cost of the payout for each of the employee categories are presented in the following table. This annual estimate assumes that the FY 98 retirement experience will apply in future years.

Years of Service	No. Retired	Payment Rate *	Cost
Between 10 and 15	47	20%	\$99,997
Between 15 and 20	56	35%	\$208,505
More than 20	178	50%	\$890,000
Total	282		\$1,198,502

* The payment rate is capped at \$5,000.

These estimates are based on an average value of accrued, but unused, sick days of \$6,868, vacation days (greater than 30 days) of \$3,574, and personal days of \$196 for those state employees whose current age and years of creditable service are greater than 75. (HEA 1093-1999 established that an eligible retiree is entitled

to no more than an aggregate of \$5,000 under this program.)

The value of the employee's sick, vacation, and personal days may be converted to pay insurance premiums for the employee or the employee's spouse. (Funds in the flexible spending account may also be allocated for dependent care assistance, medical reimbursement or cash.) Currently a retired employee on the state health plan is required to pay both the employee and the employer share of the premium. Based on the current cost of health insurance, the average amount of time required to use up the amount deposited in the cafeteria plan for premium payments will be 3 to 5 years for a single policy and 1 to 2 years for a family policy.

Local: This rule places no unfunded mandates upon any local government unit.

Regulated Entities: The regulated entities would be eligible retired state employees who would meet the guidelines as established by HEA 1093-1999 as noted above.

Information Sources: HEA 1093-1999.